HORNBACH Holding AG & Co. KGaA

Hybrid Analyst and Investor Conference

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Transcript

Speakers:

Albrecht Hornbach

Erich Harsch

Karin Dohm

Antje Kelbert

Welcome to our Hybrid Analyst and Investor Conference of Hornbach Holding. My name is Antje Kelbert, Head of Communications and Investor Relations at HORNBACH. On behalf of HORNBACH Holding and the entire Communications and Investor Relations team, I'm delighted to welcome you personally again here in Frankfurt today. At this point, a warm thank you also to our host, DZ Bank, where we are today. Thank you very much that we are here today.

We would also like to extend a warm welcome to our participants who have joined us digitally today for our hybrid event. This hybrid format is a first for us and we look forward to the joint conference with physical and digital participants, who can follow the event via the webcast stream. I would like to extend an equally warm welcome to our board members.

From HORNBACH Management AG, CEO, Albrecht Hornbach, and our CFO, Karin Dohm, are with us today. HORNBACH Baumarkt is represented by CEO, Erich Harsch. According to today's schedule, Mr Hornbach and Mr Harsch will first provide an overview of the past financial year, 2021/22, and will present the Group's key developments. Miss Dohm will then conclude with a tour of the financial results and explain the most important key figures.

Afterwards, you will have the opportunity to raise questions to the speakers. This will not only be possible for participants here in the room but also for our digital participants. But questions cannot be asked via the webcast tool. You have to dial in by telephone. To do so, please use the dial-in details that were sent to you by email upon registration. If you need the help of an operator during the conference call, please press star and zero on your phone.

I would like to draw your attention to the fact that this conference will also be broadcast via video and telephone and that video and audio recording as well as a transcript of the entire event will also be made, which will subsequently be published on the company's website. If you continue to participate in the conference, you declare your consent to this data processing. Please note also our disclaimer, which is valid for the presentation as well as for the entire Q&A session.

And now, I will hand over to our CEO, Albrecht Hornbach, and look forward to the following presentation.

Albrecht Hornbach

Thank you. Ladies and gentlemen, a warm welcome to our Annual Results Analyst Conference for 2021/22. I am delighted that having missed two years due to the pandemic, we can welcome some of you in person for the first time again. And there are some familiar faces here as well. It's good to see you. This is the first time we are holding our Annual Results Press and Analyst Conference as a hybrid event. Some of you are joining us online while others have come here to Frankfurt. That shows how right it was to draw on digital possibilities and combine this with the familiar format.

We need no further introduction because we are already right on topic. We want to discuss the past financial year with you today and give you an outlook for the 22/23 financial year. At this event in the past, we always spoke to you about the performance of two shares, that of HORNBACH Holding AG & Co. KGaA and that of HORNBACH Baumarkt AG. We decided to withdraw the HORNBACH Baumarkt AG from the stock exchange at the beginning of the year and we successfully completed this delisting as of February 28.

Why did we do that? Our ongoing status as a family-led company has been secure since we converted the holding company into a limited partnership by shares. And that means there was no longer any need for a duplicate listing. Now we have streamlined our capital market presence. In future, we will be able to present ourselves and our success story to the capital market in a more focused manner as one company.

And to say it right away, 21/22 was a further record year for HORNBACH, one with exceptionally strong results. If you have followed our company and our sector for some time now, you will already know what effects, both positive and negative, Coronavirus had on our business. The second year of the pandemic, with lockdowns and the Bundesnotbremse in Germany was also a huge challenge for all of us. But, and that is also an insight gained this year, we once again managed to seize the opportunities presented by the crisis and emerged from the situation in even better shape. Together with Erich Harsch and Karin Dohm, I will be telling you how we managed that.

Ladies and gentlemen, in its second year as well, the pandemic promoted a trend which almost nobody escaped. I imagine you will all have noticed that in your neighbourhood, your surroundings or even yourselves. At some point during the pandemic, while working from home, seeing to home schooling for the children and generally spending far more time at home, many people took the opportunity to tackle projects in their apartments, houses and gardens. And that certainly gave them a great deal of positive energy.

Now that most restrictions have been lifted, we can move around more freely again, and day-to-day life is beginning to feel more normal, now we can see that this trend towards homing and cocooning is still intact. People have developed a taste for it. Anyone who has actually started improving their own surroundings does not suddenly stop just because the restaurants and museums are open and they can go on holiday again. Put simply, people are far more attached to their own four walls now than they were before the pandemic. And this trend will continue. A much-cited study by the management consultancy, Accenture, even refers to a Decade of the Home.

Having said that, the pandemic also affected us directly and is still doing so. Many of our suppliers were and are directly or indirectly affected by production downtime, supply shortages for commodities, containers not being available, ports being closed, and other problems. It goes without saying that we have noticed that as well. Prices are rising, goods arrive late or not at all.

That all sounds like difficult times. And yet the figures which my colleagues will present in detail once I have finished tell a very different story. As I already mentioned, 21/22 was another record year for us. I would like to highlight one or two aspects right away.

The HORNBACH Group concluded the financial year with sales growth of 7.7%. Its sales rose to 5.875 billion. This growth was driven by all company divisions, Germany and abroad, do-it-yourself retail and the builders' merchant business, online and stationary.

Our largest operating subgroup is HORNBACH Baumarkt AG, which operated 167 locations and nine online shops at the balance sheet date. This subgroup grew its sales by 7.4% to 5.496 billion. In Germany, our do-it-yourself stores and garden centres increased sales by 4.8% to 2.78 billion, and our international locations in eight countries outside of Germany generated roughly the same volume of sales. Here, sales grew by 10.3% to 2.716 billion.

Our online sales, this is including click-and-collect, rose by 10.5% to 944 million. The Hornbach Baustoff Union GmbH subgroup rounded off the superb sales performance of the HORNBACH Group with sales growth of 11.8%. And not only that, taking over two locations in Saarland, it will press ahead with its successful growth strategy in the new financial year as well.

We also have pleasing news when it comes to our earnings. Thanks to strong sales growth, the HORNBACH Group increased its earnings significantly compared with the previous year.

The HORNBACH Group's adjusted EBIT, i.e. EBIT adjusted to exclude non-operating, one-off items, grew by 11% to 363 million. At the HORNBACH Baumarkt AG subgroup, adjusted EBIT rose by 13% to 315 million. This means that, with this important key figure, they even beat the record earnings reported for the previous year. The adjusted EBIT margin for the overall group climbed from 6.0% to 6.2%. That too is a record level, higher than at any time since we converted to IFRS accounting 20 years ago.

Earnings per share jumped from €10.33 to €12.48. We are very pleased with our performance in the past financial year, which was driven by three absolutely critical success factors. I will begin with our successful digitalization strategy.

More than 12 years ago, we were one of the first companies in the do-it-yourself sector to start digitalization, or to start digitalizing our business while most of the sector was really quite late to follow suit.

We made massive investments in this field because we were, and we are, convinced that viewed in the long term, digitalization will be crucial to our success story. Today, we are reaping the benefits for this forward-looking approach. We have profited from our head start, and extended it further. Now we have the top-performing online shop in the sector, with around 250,000 articles available at the German site.

So what is the secret? Other retailers use their distribution channels separately and refer to multichannel or omnichannel site sales. Since launching our digitalization campaign, we have relied on our own strategy, interconnected retail, or ICR for short. That means we consistently dovetail our stationary product range with the opportunities presented by online shopping. We bring the internet, with all of its possibilities, into the stores, and vice versa, create a genuine shopping experience for consumers at home. We see ourselves as pioneers in this area and we'll consistently uphold our ICR strategy.

Another key aspect is that ICR also has a cultural component. We never attempted to separate the channels in organisational or physical terms. All of our staff factor ICR into their solutions. The stores do not view the online business as a competition, but rather as a key component of our business model, one that generates additional sales and from which ultimately we all benefit together.

The second success factor is our supply chain and logistics concept. During the lockdowns, 140 of 161 stores at the time were closed. That did not lead to a suspension of business. Quite the opposite. We spontaneously converted our stores into distribution centres from which we sent goods directly to customers.

Having said that, even the best logistics are of little use if the flow of goods, the supply chain, is disrupted. Here too, we were able to draw great benefit during the pandemic from structures that were in place and highly functional. We have been focused on improving the ways we use freight space since 2012 already. In times of rising freight costs, we are now benefiting from that.

Not only that, since the onset of the pandemic, we have created additional storage capacities, taking a highly forward-looking approach to procurement, and made flexible use of various transport options to secure the availability of goods for our customers. We have longstanding relationships with our suppliers and a multi-supplier strategy that allows us to draw on alternative supply sources when necessary.

That all said, our employees, our colleagues, are still the most important success factor. I have spoken a great deal about flexibility, about the need to be open to new opportunities and the challenges presented to us by the pandemic. Our success despite all of the challenges is thanks, above all, to our committed workforce. Just two examples.

Right at the beginning of the pandemic, the team at our stores developed fantastic and highly effective measures to protect our customers spontaneously and at their own initiative. During the lockdowns in the past two years of the pandemic, employees who previously advised customers, worked at the checkouts or stocked goods into shelves switched to handling online orders, fetching goods from the shelves, packaging them, and sending them to customers. We heard of some staff members that walked up to 30 km at the store in just one working day to assemble online orders for customers.

We owe each and every HORNBACH employee, who now number nearly 25,000 in total, our special appreciation in these times. We know the extra efforts they made to serve our customers placed great demands on them. A decade of home, functioning structures, and the motivated team, these give good reason to be optimistic about the future.

At the same time, we are, of course, also watching developments in Ukraine with great concern. Regardless of any implications for our company, which Erich Harsch will refer to in greater detail, our wish and hope is that it will finally be possible to end the war. The suffering on the part of those affected moves us greatly and we are committed in a variety of ways to doing our part to help the civilian population.

All that now remains is for me to thank you formally for your interest and to hand over to Erich Harsch.

Erich Harsch

So, thank you, Mr Hornbach. Ladies and gentlemen, I too would like to offer you a very warm welcome to our Annual Results Press Conference. As Albrecht Hornbach has already said, we can look back on a record year. I would like to follow up now by looking at the statistics for the sector a little bit more closely. How is our company's positive performance to be viewed when compared with the rest of the sector? How has our market position developed?

Before I begin, I would like to pick up on Albrecht Hornbach's comments on the situation in Ukraine. HORNBACH does not have any stores in Russia or Ukraine and we also do not have any direct business relationships in either country. Having said that, the war is close to us. Very close, in fact. We have stores in Slovakia and Romania, two countries directly bordering Ukraine.

Particularly at our two stores in the East of Slovakia, not far from the Ukrainian border, many of our staff have relatives and friends who have been directly affected by the war. That puts the news from this region in a completely different perspective for the colleagues on location but also for us. This is why we are helping wherever we can with everyday necessities, so material donations in particular, and with financial assistance, not only in Germany but also in our country companies.

Our Czech Republic and Slovakia regions spontaneously supported an initiative to supply people affected by the war with around €200,000. And it goes without saying that we automatically give leave to those colleagues who have to take care of affected relatives. Let us hope that the situation changes quickly and that people there can finally live in peace and freedom again.

Turning back to our company and our business performance in the past financial year. We already heard that the past year was exceptionally good for the HORNBACH Group. How good the year actually was is particularly clear if we compared the figures Albrecht Hornbach just presented with those of our competitors. As you will recall, 2020 was a record year for the whole sector, a year in which nearly all companies generated growth. So the question is, which companies managed to latch onto this success in 2021 as well? Let’s have a look at the DIY market.

The new sector statistics compiled by the Dähne Publishing House are due for release in just a few days. They have already communicated one fact in advance. Of the six largest DIY companies in terms of sales in Germany, according to the statistics collected by Dähne, only one of them managed to post further sales growth after the pandemic-driven boom in 2020, and that was HORNBACH.

All other major competitors, Obi, Bauhaus, Hagebau, Toom and Globus, were not quite able to build on the previous year’s success and reported declines in their sales performance, of course because of the lockdown situations, the Bundesnotbremse in Germany.

The two-year statistics compiled for 2019 to 2021 show that we achieved the highest sales growth in the sector. This way, we have overtaken Hagebau and Toom and advanced to number three among the DIY companies with the highest sales in Germany.

I have no doubt that you will already have seen it in our numerous presentations. In terms of total sales in our international business, we have held third position among German DIY store operators for many years now. But if you look at our sales in Germany alone, we were long only the fifth-largest player in the sector. And now, we have taken a major leap forward to position three, and that by building on our own resources.

We have grown significantly faster than the market, and that is of course also reflected, very pleasingly, in our market share. Based on GfK figures, HORNBACH Baumarkt’s share of the German DIY market grew from 14% up to 15.1% in the 2021 calendar year.

And we are still highly successful in our international business. In the Czech Republic, for example, we have a market share of 33% and are already the top player in the sector. And if we look at the Netherlands, we can see that in parallel with the 25th anniversary of our market entry, we are close to achieving 25% market share. With eight new stores opening in the past seven years, the Netherlands is one of our fastest-growing country markets.

So the question now is, what have we done differently to our competitors? Albrecht Hornbach already referred to the importance of our ICR strategy. That is fundamental to our success. After all, our pleasing sales growth was driven not by acquisitions or many new store openings, but chiefly by our own internal resources, our ICR strategy, our smart procurement and stocking policies, and the great, great personal dedication shown by our colleagues.

To do justice to the importance of digitalization and all the opportunities it presents, we have set ourselves the standard of being the technology leader within our sector, within the baumarkt sector. We have our own development team, with 80 employees alone working on the web shop, the app, and the relevant interfaces.

Technology is key to our success. And that is precisely why we are permanently investing in this field. For us, online and stationary are not two distribution channels. On the contrary, we interlink the two worlds closely to generate additional benefits for our customers, or to put it loosely, according to Aristotle, the whole is greater than the sum of its parts.

Let me give you some specific examples of how we interconnect our stationary and online businesses. For example, click-and-collect, the option to order goods at home or on the road with computer, tablet, or smartphone, and then simply collect them at the store.

Numerous retailers only discovered click-and-collect in the last years. This meant they could still generate a certain level of sales during the lockdowns and maintain their customer relationships. We at HORNBACH introduced this option across Germany in mid of 2011 already and then swiftly rolled it out to all other regions.

That gave our customers multiple advantages during the periods of lockdown. Not only that, many customers learnt to appreciate this service and are still using it much more frequently than before, even though the stores are open as usual again.

We have free Wi-Fi at our stores, which enables us to provide additional information and services to our customers. And by the way, that also creates absolute price transparency. For us, that gives us the opportunity to convince customers of our price leadership directly on location, at the shelf.

Over the past two years, customers have also made far greater use of the option of scanning purchases themselves with the HORNBACH app, and thus speeding up the payment process. And that trend is continuing. The display of product availability for a given product and its location within the store is another example, or the use of virtual reality glasses for bathroom planning, or online configuration for customised products, and much more.

No other stationary competitor generates more sales via digital channels than we do in our sector. At around €1 billion, online accounts for around 17% of total sales at HORNBACH Baumarkt AG. In reality, it’s a lot more because many of our customers are informing themselves via our internet channel before visiting the store and then buying there. So online is very important for our business.

In Germany, not even Amazon, Zalando or Otto generated growth as high as ours in their online businesses in 2020. ICR is an essential part of our very own success. And this success would, of course, be unthinkable without the amazing commitment shown by our colleagues, on the one hand, in the specialist central departments and logistics services, and above all, at our stores. There, digitalization is not perceived as competition for the bricks-and-mortar business, but rather, the benefits it brings to HORNBACH’s consumer are valued overall.

Therefore, our colleagues use the options provided by the online shop and other digital aids in their daily work when advising customers, in sales activities, and when offering numerous services. That is crucial in making our customers feel comfortable and willing to draw on our services, and recommend them to others, very important.

We are well aware of the important role of our colleagues played in our successful growth in the past financial year. They have my absolute respect for what they have achieved under the difficult conditions, such as the mask load during physically demanding work. And I am delighted we were able to underline our appreciation with a decent profit-sharing scheme to our employees.

Before I hand over to my colleague, Karin Dohm, I would like to give a short outlook of the operative milestones in the current financial year. Inflation, unstable supply chains, bottlenecks in logistics, rising commodity and transport costs, many of the challenges that already accompanied us in the past two years, will remain with us. Given the geopolitical situation, they may even intensity further.

However, we will not let up in our efforts to constantly renew our business and act with great flexibility. We intend to build on our momentum this year as well. We have already opened two new DIY stores and garden centres in 2022, one in Slovakia, in Nitra, and one in the Netherlands, in Enschede, and the third is set to follow in Romania, in Constanta on the Black Sea in Romania, in the fall.

In Germany, we will open the next store in spring 2023, in this case in Leipzig. And of course, in parallel, we are also modernising and further expanding existing stores when it’s possible and beneficial for our customers.

And when it comes to interconnected retail, our foot remains firmly on the accelerator. In the current year, we will continue to invest in our online shops, staffand customer apps, and technology for use at our stores. We will be moving all our online shops to our new e-commerce platform which will offer us better scalability and greater flexibility.

Demand remains high and we expect the trend of consumers improving their own four walls to continue in the medium term as well, not least as ever more people will work from home, even now that the Coronavirus restrictions have been lifted. In that respect, we can look to the future with confidence. Our people at HORNBACH have amply demonstrated their ability to master even major challenges to the benefit of our customers.

Ladies and gentlemen, I would like to leave you with this positive outlook. Thank you for listening. I will now hand you over to Karin Dohm, my colleague on the Board of Management, who will take a closer look at our business results with you. Thank you very much.

Karin Dohm

Thank you very much and also, from my side, a warm welcome. Very happy to now have a chance to do a deep dive into some of our figures. I know that Albrecht Hornbach and Erich Harsch gave you already quite a good overview about last year, so I will literally not go through all of those slides that you have in front of you but just do the one or the other as a deep dive to highlight what we think is especially important for you to have in mind, not only because of the performance of last year but because we see it as a continuation of the very good performance of HORNBACH in general, and also see that as the basis for the further growth of the company with regard to the next couple of years.

So, as highlighted, we had a very successful year, not only in figures but also in making sure we further deliver on this organic growth customer journey that we highlight as being one of the core pieces of HORNBACH’s DNA, not only those five new stores but also new formats, specializing specifically on floors. And as mentioned earlier, once again here also, Netherlands was one of the countries where we tried something new as it is one of our core dynamic countries in our footprint in the current setup.

My colleagues already mentioned we had a good growth not only on the sales side by specifically also on the adjusted EBIT side, and I will come in a little bit more detail into the various components that led to that. One word here on the Capex side. You saw that when we went through the last fiscal year, we upgraded the guidance throughout the year. The last one was at the beginning of December, and we also had, as part of the communication, some words on the Capex.

We didn’t go beyond the 200 million which we originally envisaged. That wasn’t because we held something back but that was because, as usual in these long-term investment cycles that we have for the stores, sometimes things fall more in the one or into the other fiscal year and that then just has quite some influence on the figures. But it doesn't mean that we, as said, held anything back. It's just the course of how you build and how quickly sometimes things evolve or sometimes, as I say, fall into the next month which then happens to be in another fiscal year.

A quick view onto the various quarters, also to give you a highlight over the course of the last three years. And due to Corona, we like to show not only the current year or the last fiscal year and the previous one but also this three-year waterfall.

And you see here quite nicely that throughout the whole set of the four quarters, we were able to outgrow the previous one and the one two years before, so both on a one-year and two-year comparison, Baumarkt growing here with 7.4%. And the Baustoff Union, which sometimes comes across quite small, but also had a very nice growth with 11.8%, so double-digit in the last year.

So that obviously being still influenced by closures. We mentioned that earlier. So we had, throughout the various countries, a couple of closures which affected the figures and probably also the composition of certain channels, when you think about our interconnected retail approach.

Nevertheless, all in, a very successful year, and especially also when you look into the like-for-like growth, as you see it here on this chart, across all of our countries and regions. So we're very happy with that outcome. And as said earlier by my colleagues, a very good basis, when you look into the market share expansion which we were able to collect, to make sure that we can use that to build further also in the current and in the next years.

One of the key figures which I wanted to highlight is this, what is here on the right side, the sales per square metre. That includes anything, whether that is starting in the online world or whether that is classical stationary sales. And we think that is one of the strengths specifically amongst our German competitor landscape, where we are able to set ourselves off even further, if you compare that with the previous year. And that allows us obviously to also then expand our position. Erich Harsch specifically highlighted that amongst the German competition.

And you know that the German market and its competition is very dense. And we have, of course, a footprint which is very successful in many countries, but we think it's always important to also be successful in your home market because that ultimately drives, of course, the strength of your brand.

E-commerce was mentioned several times and I would like to highlight here just one aspect. Obviously, as shown on the slides earlier, we had some closures. And of course, people use the one or the other channel more or less if stores are closed or not. And of course, that also drives the behaviour or the shopping behaviour. Nevertheless, as Erich Harsch highlighted already, we are strongly convinced that technological leadership in this customer journey is one of the key factors.

And that is one reason why we also continuously invest not only into the stores and the store network but also into our online setup, into the web shop, the app, the various parts that you can use there that build the experience for the customers. Because ultimately, we don't want to drive customers into the one or the other channel. We're really convinced that as good as the journey gets, that will drive a positive experience and that will ultimately drive sales and ultimately-ultimately, of course, then EBIT.

And therefore, it might well be that these 17.2%, as we just had them in the last year, change. They might grow. They might shrink slightly. But we think that is not really the crucial element. The crucial element is that we have also in this online DIY market a good market share, which we have, and that we're able, as said, to make sure that we have a very good, seamless journey on offer for our customers to enhance that experience even further.

Cost management, of course, always important to make sure that you translate those extraordinarily good sales into a very good EBIT. We are continuously, as I said, investing, and we will keep that, also coming back later on that aspect in the current fiscal year.

And therefore, you see here, nevertheless, although we built up, for example, personnel… We hired people. We want to make sure we have good customer service. That means people who are not only there but who are also able to provide good advice. And we consciously invest in our people, continuously. Nevertheless, despite all those investments, both in personnel and in store and other expenses, we were able to demonstrate that we, A, kept a very good gross margin development, and B, also had an overall cost ratio which is really attractive on an ongoing basis.

Which brought us, as said earlier, to quite a good EBIT development, 11.1% growth, fantastic figure. And also, when you look into the translation between adjusted and unadjusted EBIT, there was also quite some stability visible. We have, of course, always the one or the other gain from sales from smaller pieces of land which we have sometimes left or right of our stores, where we then sometimes buy small pieces or sell small pieces.

And then also, of course, in the continuous development of our IFRS valuation, as you know, those are always discounted with the risk-adjusted work. So that means we also there had the usual developments that are very much in line with what you see, or what you saw in previous years. Ultimately, the EBIT margin, with 6.2%, is something which we really think is a very good performance and gives you also some indication of HORNBACH's strength.

I brought along as well a slide which gives you a deeper cut into the geographical as well as the operational segments. On the left, as I said earlier, not only on the sales side, also here on the EBIT side, very good development across all parts of the group, not only in Baumarkt, which of course is our core and heart of the operational excellence, but also when you look into the other parts. That is giving you, I guess, some confirmation that individually but also jointly, taking into account the fact that we own two thirds, roughly, of our real estate, that leads to a good contribution to the overall EBIT and its margin.

Geographically, I think you might want to take along, A, good growth across all countries on the EBIT side. Of course, we see different margins in different countries, very much driven by the individual competition and the landscape around that. And also, currently, I would claim roughly one third of EBIT is generated in Germany, two thirds outside, as one of the perhaps figures you want to take along.

Only one word I would like to take into some other KPIs, important for some of you who went into specifically country analysis. We're also proud that we now are in a status where specifically Sweden is able to not only generate a surplus, but due to this now continued journey of positive EBITS there, we were able to also re-evaluate the country. And that leads to an upside in the tax rate, which you might have seen in our figures published. So that is reflecting on an IFRS basis, nevertheless also reflecting the very good development across all of our regions.

The very good result, as mentioned, brought us to the decision, and my colleagues highlighted that earlier already, to increase the dividend. We propose now 2.40 to the Annual General Meeting, which will take place at the beginning of July. That is not only a good path towards what we always said, being 30% of the pay-out ratio is one of our targets, but it also is in good part driven by the fact that we say our aim is to always pay a dividend and to ideally not pay a dividend that is below the previous year.

So that is unchanged, also with a view, of course, to the future, to make sure we have there a stable basis to, as said, have the last year's dividend always as the lower range and the 30% pay-out ratio as the upper range, to which we want to develop further.

One word on cash, for the reason also to make sure that you take into account two aspects here. Number one, capex. I mentioned that earlier. I want to highlight again that not everything that we invest into the online shop or the app is going through the balance sheet. So part of that is incremental. And you will see it reflected in the P&L. So the investments and anything that is immaterial is more than what is reflected here in Capex.

Obviously, the good operative activities brought us also increased funds from operations, and you see that stable development obviously also reflected in our balance sheet. Very good and stable setup here, whether you think about the equity or whether you think about also the availability of goods, which ultimately is here reflected in those figures as they were on February 28.

We deliberately bought earlier and more inventory over the course of last summer and autumn to make sure we have certain availabilities safeguarded for this very important first quarter for us, where we're currently in, and also to be able to beat, of course, availability amongst competitors in the one or the other area. Therefore, the build-up of the inventory was deliberately and proactively done by us.

Last figure from my end before we want to enter into Q&A. First time that we were able to publish our Scope 1 and Scope 2 carbon dioxide footprint. This is based on a process we ran over the course of last winter, including not only the sheer process of collection but also to make sure that those figures are reliable and traceable.

We included some adjustments on our software. We also made sure that we had a special audit run through those figures and the process, how they were collected, as said, to make sure this is reliable and also reproductively possible. Sorry for twisting up here with my English.

What I tried to say is we established a process which we can reuse over the course of the next years, obviously in addition to what HORNBACH already did in the past to make sure that we're not only adding to E but also to the E, S and the G of the whole ESG world.

We are now focusing on, A, for this year, looking into the question of how can we work on Scope 3, and B, making sure that we have a couple of measures identified which we then can also tie to the board's remuneration from next year onward.

I will stop here, and then very happy to take some of your questions, or any of your questions.

Antje Kelbert

Thank you very much for your presentations. Before we are now available to answer your questions, I would like to give you some guidance on how the Q&A session will proceed. We will start first with the questions here in the room and then we will transfer to the participants of the telephone conference.

When you ask a question, please use the microphone in front of you, or in the back of the room, wait until a microphone is handed to you. This is to ensure that the digital participants can hear you as well, and your question. Please introduce yourself briefly by name at the beginning of your question.

Following the questions from the room, as I said, we then go to all the digital participants. And you cannot ask questions from the webcast tool, but only from the conference call. To dial in there, please use the dial-in details you have received via email upon registration.

If you would like to ask a question, please press star followed by one on your phone, so star and one, and please mute your webcast, in addition. If you wish to remove yourself from the question queue, please press star followed by two. We will now start with the Q&A session here in the room. Who is ready for the first question? We'll start with DZ Bank.

Thomas Maul — Thanks for taking the question, Thomas Maul, DZ Bank, I've got two. First one, can you please elaborate a bit on average basket size? How much do consumers actually spend on average in your stores and how much do they spend online?

And yes, the second one is, with regard to the deterioration in consumer confidence, have you actually recorded any kind of deterioration, any kind of downtrading following the deterioration? Are consumers buying cheaper products? Are they buying more private labels and less branded products? So, that's it. Thank you.

Karin Dohm — Yes, maybe I'll start a little bit and then happy for additions. So to your question, in general, we observe growing basket size. So that is very much in line with our observation that people think and buy then consequently more in projects.

So that we originally see exactly what we always also have geared our whole organisation towards, that whether that is a private or a professional customer, those usually come along not only to buy one screwdriver or something along those lines, but really have a project in mind and buy according to that. And as said, that results in continuously growing baskets. We do not necessarily publish precise basket figures, so my apologies for that. Nevertheless, in general, size is growing.

We see also continuous demand currently. As you know, since March 1, we are not only in the usually strongest quarter but also in the first quarter of the new fiscal year. We see, as said, still an ongoing strong demand, and as also said, with this, yes, project view, independent of what type of customer.

To your question, online versus offline, I think for us it's really important to have two things in mind. Number one, there is, of course, an element of flow. So we see a lot of first views. When a customer approaches HORNBACH, there's always this first interaction in the online world. That doesn't necessarily mean that also the transaction is finalised in the online world but that is definitely the starting point, also independent to the fact of whether that is a classical retail client or whether that's a merchant or whoever that might be.

And I think, therefore, it's not strictly a hard differential with the figures as you saw them. We see currently roughly one fifth of the sales in the classical e-commerce area, including click-and-collect, including direct delivery. But I think, as Erich Harsch also said earlier, the portion of our sales which is starting in an online context is way higher.

And you had one last question on the white label side or the private label. In general, it's roughly a fourth of our sales, but so to say, it is across all channels or all forms of interaction.

Erich Harsch — We don't observe downtrading effects at the moment. Maybe it will change in the future, but not at the moment.

Thomas Maul — Thanks, great.

Antje Kelbert — Okay. So who would like to ask another question? So no further questions? Yes, please.

Franck Falezan — Franck Falezan from Primestone. So maybe obviously, given the spike in energy prices, there's the prospect of potentially a recession later in the year. What are you doing to prepare for such a possibility or what could you do if that were to happen?

Karin Dohm — Yes, I can start a little bit specifically on the energy side. Obviously, we are affected, like everybody else, in the sense of our energy bill is also, ceteris paribus, going up. What we're currently doing is a number of aspects, of course. Since the beginning of the war, we have started to make sure that we have, A, more intense interaction internally, as probably any company has.

We are specifically analysing currently how we can affect the large consumers, so to say, which in our case are the stores, for example, the store network and the logistics, when you think about energy consumption. And that means we're currently, specifically with a view towards the winter, observing how we can make sure we have more flexibility perhaps in some energy consumptions.

That might be things such as, is there a way we can operate our lighting and anything that is attached to that in a slightly different manner that doesn't negatively affect customers but brings down energy consumption? A very, so to say, specific operating question. And we're also looking, of course, into further trying to safeguard certain price structures and things like that.

Antje Kelbert — Okay, next question.

Male Questioner 1 — Yes, on inflation. I know your own prices are determined by your own tracking of competition. So first of all, I'm wondering by how much have your competition increased prices this year? That's the first question. And the second question on inflation. What do you expect, how your customers will behave in an inflationary environment? And do you expect that some of the projects might be pulled because it's becoming too expensive for your customers? Thank you.

Erich Harsch — So I'll come to the second question first. We really don't have an exact expectation. Because if there is less money for the people because of inflation, it also could be a chance for HORNBACH because we have our everyday low price concept.

And if the people are more comparing the prices, more people will find their way to our stores than to other stores. That could be a chance. It also could be a chance if the people don't go on vacation with expensive journeys, but are staying at home and prefer to improve their homes. That also could be a chance.

And, of course, it could be a risk if the people don't buy anymore because of the inflation. So I think nobody really knows how the concrete behaviours of the customers will develop. But I am convinced we will be able to make the best out of it, whatever will happen, and we will be able to deal with the situation in that way or in that way.

And the first question was about increased prices with our competitors. There is no general trend. It depends on certain products. Of course, there is a movement of increasing prices, upgrading also the sales prices in correlation to the growing buying prices. But the market decides, and nobody wants to be the first to have higher prices. So the pricing development on the sales area is much more slower than on the buying side.

And, of course, we want to make fair agreements with our partners, our suppliers. And maybe there are suppliers who are seeing a chance for themselves to increase their profits, but others also have problems with the higher energy costs and transport costs and so on. And so it's our responsibility, with fair agreements, to help our suppliers so that they can join us and have a fair partnership to handle the, of course, very difficult situation in some areas.

Antje Kelbert: Okay, thank you. Do we have a further question from the room? Please.

Benjamin Thielmann: Okay, thank you very much. This is Benjamin Thielmann from Berenberg. Maybe you could give us some colour, what products are mostly affected by your supply chain issues. Is it more in the garden equipment sector or is it electrical components, or what products are not arriving in your stores right now?

Erich Harsch: At the moment, we have no real problems with non-availability. We have a good stocking policy, or we had a good stocking policy, so our stores have enough products for the now starting spring season, which is the most important season for our sector.

And we have no general problem. We have problems, of course, in certain products, but not really at the moment, but to expect in the future, when our stock is gone because of the sales. And we try to create alternate supplying opportunities and look at how we can be more independent and have more choice between more than one supplier. I think in difficult situations, you have to look that there are as less single points of failure as possible.

Albrecht Hornbach	I would add that, actually, builders' merchants have more problems with their goods. For example, all these commodities which are very energy consuming in production, like stones, tiles, steel, these have long delivery times and make the life of a builders' merchant harder in the moment, harder than in the do-it-yourself stores.
Benjamin Thielmann	Okay, thank you.
Antje Kelbert	Thank you. Do we have a next question?
Benjamin Thielmann	Okay, thank you. I would have another one. Could you give us some colour on what countries are you targeting with your international store expansion? I know that you're aiming to open 25 stores in the next five years. In what countries can we expect more store openings?
Erich Harsch	Preferred in our existing countries, not in new ones, because we have enough possibilities in the countries we are in at the moment. And, of course, there are countries with more possibilities, for example, Romania or also the Netherlands, as I told before. And it's more difficult, for example, in Switzerland and Germany, where there are already many competitors and no white spaces on the landscape. So we have opportunities. And, of course, it's difficult to develop new stores, but I think we can reach the number you mentioned.
Benjamin Thielmann	Okay, thank you.
Antje Kelbert	Next question, please.
Male Questioner 2	Does the increasing online proportion of your sales have any influence on the average store space that you're targeting in your expansion?
Erich Harsch	I think the problem is if there is a big store and a small store, always the big store wins. That's our experience. So I think there, because of our main customers, our ability to store many materials for buildings and which are long and heavy and not so comfortable to handle, I think the big stores will remain as the preferred store concept in our sector. Of course, we have also stores which may be a little bit smaller and have more a role in online channel. But I don't think that's a big change in the strategy for the stores. The increasing online part, I think, in this year we will see not any further increasing at the dimensions we had. Why? Last year, during the lockdowns, if we have no lockdowns in the future, the online share will be a little bit smaller, not more increasing in the next year. But we are on a significantly higher level than before the pandemic era, and we will stay on the significantly higher level and this will increase further on, after having not a comparison with lockdown times.
Antje Kelbert	Thank you for that. Just as a reminder for the conference call, if you

would like to raise a question, please press star and one on your touchtone telephone. There is one question. Do we have a question, before I switch to the conference call, here in the room? Yes, please.

Male Questioner 3	Maybe a quick question on acquisitions. You mentioned that it's actually difficult to find locations to open stores. Would you consider acquisitions? And how likely that is.
Erich Harsch	We are more fans of organic growth and not of acquisitions. And so maybe Albrecht Hornbach can say something, because I think HORNBACH didn't have many acquisitions in the past.
Albrecht Hornbach	In the seldom cases when we took acquisitions, it was only with a focus of the real estate behind, not on the business model or something else. And even that is difficult enough.
Antje Kelbert	Okay. So let us now move to the conference call so that these participants are also able to raise their questions. And I would like to hand over to our telephone operator now.
Operator	The first telephone question is from the line of Christian Bruns from Immobilien Bruns. Please go ahead.
Christian Bruns	Yes, hello. It's Christian Bruns speaking. I have two questions. The first one is about the financing of the acquisition of the HORNBACH Baumarkt shares. Do you still think that you need to raise an equity part to finance this? Or given your strong balance sheet, are you also able to finance this with debt or retained earnings, of course. And the other question is about real estate. Given now your higher part in HORNBACH Baumarkt, is it possible to combine real estate in the Hornbach Immobilien sector and also the HORNBACH Baumarkt Group? And could you generate synergies from this? Thank you.
Karin Dohm	Thanks for those questions. To your first question, as said earlier, we took a first financing step by using a bridge facility. As we published, that is currently now something where we are working to make sure we transform this more short-term bridge facility to a mix of longer-term financing pieces. We are having the bridge facility with the possibility to use that as a minimum or in general, without any further negotiations, so to say, for a year. So there is no hard hurry. We have all the timing flexibility that we need. But, of course, we want to make sure we have that transformed into proper long-term financing sooner than later. So we're currently running through some specific setups there to parcel that. And obviously, we also always said that we want to make sure we have not only the good rating that we obtained last autumn from Standard and Poor's but also keep that. And those are the two, yes, I would claim, guidelines that we use currently to decide how we go further on that topic. But I think that is a little bit the design pattern,

as we also announced earlier.

And to your question on the real estate side, of course, as we managed to be very successful in this delisting and got beyond the 90%, the real estate transfer tax, according to German law, is due on that part of the real estate which is in Germany. We don't have anything similar in any of the other countries where we currently operate. And that, of course, then gives us the flexibility to, afterwards, move real estate within the group without triggering that again, if I got your question correctly.

Christian Bruns	Yes, thank you very much.
Operator	The next question is from the line of Johan Van Den Hooven from Value8. Please go ahead.
Johan van den Hooven	Yes, good afternoon. It's Johan Van Den Hooven, Value8. A few questions. The first one is about the tax rate where you said it's a bit lower in the past year due to tax also carried forward in Sweden. Can you give a bit of idea for the tax rate going forward? Is there the same impact in the current year? Second question is you gave guidance on revenues and on EBIT. Is it also a possibility to give guidance on the net profit per share, given of course the change in the minority stake? And the third question is the minority stake is just over 9%. How often are you planning to give an update about any changes in the minority stake? And then the fourth question, the last one for now, is can you give you a bit of an idea what the first reactions are to the expansion in Kerkrade in the Netherlands about HORNBACH Vloeren? Thank you.
Karin Dohm	Okay. So let me start with those first ones on the financial side. So tax effect, I can't give you the exact figure there but it is of course a one-off, so to say. Because being able to balance the tax effect due to the write-up, so to the increase of the valuation, is a one-off. And therefore, as said, it's not a big change that we expect for the future, to have there a strong change. But as said, we don't give any hard tax ratio guidance but it's something where we, in general, expect stability. We're also not expecting any hard tax rate changes in any of those countries where we're currently active that could influence our picture in its entirety. With regard to the minority stake, I wasn't sure whether I got that question correctly, but I understood how often we would give an update on this percentage.
Johan van den Hooven	Yes.
Karin Dohm	Of course, if there is a relevant change, we would always make sure we provide there an update. And so currently, or since the delisting, there was simply no change. We haven't bought anything, nor did we sell anything. So that is unchanged since then. And yes, if there is a material change, of course we would provide information, absolutely.

Oh, guidance for earnings per share, excuse me. Also that one we're usually not providing. And as this is not a specifically easy future we're currently all in jointly, we didn't want to start with adding new KPIs on which we provide guidance. I think, and allow me there a reiteration, I think what we really want to bring across is we're seeing good momentum on the sales side, we're seeing HORNBACH in a very good position when it comes to market share and the basis for further growth.

We are having very specific ideas about investments both into the store network as well as into the e-commerce angle, to make sure that, as said, the customer journey is staying attractive. We are very conscious in our price policy, as also said earlier, to make sure that we are, of course, safeguarding our margins where possible, but on the other hand, providing reliable costs and prices to customers wherever possible.

And ultimately, we think that's a good position, also with this mixture of customers which we have which are, on the one side, professionals, on the other one, the retailers, to be able to navigate certainly uncertain waters in the next month's/years and stay ahead of the pack, if I may say so. But I wouldn't dare to give you any guidance on earnings per share ultimately. But maybe that's a good transition into Vloeren.

Erich Harsch

Yes, HORNBACH Vloeren. As you know, we have, since more than one year, two stores in Germany, in Berlin and in Köln, called BODENHAUS, with a separate concept only for flooring. And our colleagues in the Netherlands opened this year in February HORNBACH Vloeren. It sounds similar, but it's a different thing. Because in Kerkrade, our HORNBACH store, directly beside HORNBACH Vloeren, changed its content and gave all its flooring contents the HORNBACH Vloeren concept to get more space for other assortments and for renewing some areas in the HORNBACH store in Kerkrade.

But both concepts as well, the German concept of BODENHAUS as well as the HORNBACH Vloeren, started quite good. Of course, it's necessary to get known at the customer side, that there is a new concept with much more competence and a much broader and deeper assortment on the flooring area. And it grows continuously and the time will come, I think, in the next year, to decide how to develop in the future. At the moment, we have made no decisions to start new expansion, stop the old expansion, or just stay with these three stores. It will be new consideration, how to handle the flooring concept for the future.

Johan van den Hooven

Okay. Thanks very much.

Operator

The next question is from the line of Ludovic Allegre from Kepler Cheuvreux. Please go ahead.

Ludovic Allegre

Yes, hi. Ludovic Allegre from Kepler. I have two questions. The first one, maybe could you be a bit more precise on your guidance? For example, on revenue, can we expect 2% to 5% growth this year? And on profitability, could you elaborate on the meaning of slight decrease? For example, do you expect to retrieve your full year 2021/2022 adjusted EBIT level from full year 2023/2024? So this is my first question.

And the last one is, have you already started to increase your prices to offset cost of inflation? And more globally, how is it taken by your clients so far? Thank you very much.

Karin Dohm

Yes, let me start, and then maybe there's something we should add. So with regard to guidance there, the general, let's say, translation of slightly in both areas, whether we think sales as well as EBIT, is, I would claim, up to 10%. I think that's probably a figure you might want to have in mind. Anything further, precisely, with regard to where in those ranges obviously is beyond anything which we currently can foresee.

Obviously, as said, we see current market movements and we all are depending, up to a certain degree, on the geopolitical development that might take place during the course of the year. The earlier, of course, the Russian war in Ukraine is stopping, the earlier certain limitations in the logistical networks around the globe are, yes, redeveloping into what might be a more relaxed or normal state. That, of course, will have its influences, but that's currently the general picture we foresee there.

Pricing and price developments, obviously something I would hand over to Erich Harsch. I think one thought just I would like to provide there is you might want to keep in your head that, of course, the current situation is specifically noteworthy with regard to inflation and general price developments in all areas. Nevertheless, parts of that was already there last year. So when you think about prices, for example, one individual piece of shipping of one container, things like that, or wood was mentioned earlier, a certain element of that was already there last year.

That doesn't mean it is not a very specific situation currently, but I think there is an ongoing element of that which is not new. And that means there is a well-trained muscle in our organisation to address that and to act accordingly. As said, that doesn't make it easy, but I think, as said, there is a very conscious organisation looking into those topics on an ongoing basis.

Erich Harsch

So our prices. To say it clear, we want to have the best prices for the customers in the future as well. We have it in the present. We had it in the past. And we will stay on that position. Of course, it's difficult in some areas of product, but I think it's much more expensive to lose customers because of too-high prices than to wait a little bit till also others are maybe raising prices because of higher buying prices.

So the market defines the prices and the competition as very hard, especially in Germany, and the movement of the sales prices is much more slower than the movement of the buying prices. And we don't want to be the first. We want to have the best prices for the customers.

And we think that's the best way to make sure that our market shares can grow further on and are not at risk that they will sink because of too-high prices in comparison to the competition. So it's a clear position. We want to have the best prices for the customer. And, of course, where necessary and where possible, we are adapting the sales prices to raising buying prices.

Ludovic Allegre — Okay, thank you very much.

Operator — So there are no further telephone questions at this time, and I hand it back to Antje Kelbert.

Antje Kelbert — Yes, thank you very much. Are here any further questions in the room we could help you with? Okay. So I think this is not the case. And when we have answered all your questions, we thank you very much for your interest and your participation in our first Hybrid Analyst and Investor Conference. Hope to meet you either in person or virtually at roadshows and conferences over the next weeks.

And in the meantime, the Investor Relations team is at your disposal. By the way, thank you very much also for the entire team who worked really hard to make this event happen, and also to our partners who supported us as well. So have a nice and successful day, and hope to see you soon. Goodbye.